

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 1712 – SB 1794**

January 28, 2022

**SUMMARY OF BILL:** Allocates a portion of state and local sales and use tax revenue to an ownership entity designated by a county responsible for the retirement of all or a portion of the debt of a new public parking garage. The amount apportioned shall be equal to the amount of state and local sales and use tax revenue, including any portion of local sales taxes that otherwise would be allocated for school purposes, from the sale of food and drink, lodging, parking, and other authorized goods and products sold on the premises on the block bounded by College Street, N 1<sup>st</sup> Street, Main Street and N Spring Street. Such tax revenues apportioned must be applied to any debt service related to the parking garage and shall continue until all debt, including any refinancing debt, relating to the parking garage is retired. For purposes of determining the allocation amount, the public parking garage must include the parking facility and any ancillary facilities and infrastructure such as utilities and offsite improvements adjacent to the parking garage premises.

Prohibits any state tax revenue, derived from the increase in the rate of sales and use tax allocated to educational purposes pursuant to Public Chapter 529, § 9 of the Public Acts of 1992, and derived from the increase in the rate of sales and use tax from six percent to seven percent contained in Public Chapter 856, § 4 of the Public Acts of 2002, from being apportioned and distributed pursuant to this legislation.

**FISCAL IMPACT:**

**Foregone State Revenue – \$524,700/FY22-23**  
**\$1,049,400/Each FY23-24 through FY51-52**  
**\$524,700/FY52-53**

**Increase Local Revenue – \$524,700/FY22-23**  
**\$1,049,400/Each FY23-24 through FY51-52**  
**\$524,700/FY52-53**

**Other Fiscal Impact – An additional \$275,300 in FY22-23, \$550,600 each FY23-24 through FY51-52, and \$275,300 in FY52-53 in local government revenue will shift from school purposes to debt repayment on the parking garage.**

Assumptions:

- This legislation applies to one public parking garage in Clarksville, Montgomery County. Ancillary facilities will include a renovated hotel and an entertainment district.
- It is assumed that construction of the public parking garage and its ancillary facilities is not contingent upon passage of this legislation and would take place in the absence of this legislation.
- Based on information provided by the Department of Revenue (DOR), the total taxable sales generated from the parking garage is estimated to be \$20,000,000.
- This legislation stipulates that the 0.5 percent earmarked to education and the 1.0 percent earmarked to the state be excluded from the distribution created by this legislation.
- The recurring foregone state sales tax revenue is estimated to be \$1,100,000 [ $\$20,000,000 \times (7\% - 1.5\%)$ ].
- The effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 4.603 percent.
- Total recurring foregone state revenue is estimated to be \$1,049,367 [ $\$1,100,000 - (\$1,100,000 \times 4.603\%)$ ].
- The total increase in local revenue is estimated to be approximately \$1,049,367 for each year the debt obligation is outstanding.
- The amount of state revenue excluded from the distribution is estimated to exceed \$300,000 ( $\$20,000,000 \times 1.5\%$ ). This revenue will be generated by the state in the absence of this legislation.
- A local option sales tax rate of 2.5 percent in Clarksville, Montgomery County.
- An amount of \$550,633 [ $(\$20,000,000 \times 2.5\%) + (\$1,100,000 \times 4.603\%)$ ] in local government revenue will shift from general purpose use including school purposes, to the repayment of the original debt used to finance the parking garage each full fiscal year until the debt obligation is outstanding.
- This legislation stipulates that this reallocation of state revenue will continue until all debt, including any refinancing debt, relating to the parking garage is retired.
- The total construction cost of the new parking garage and ancillary facilities, and the term for any such debt, are unknown.
- Further, it is unknown what other funds, public and private, will be available to the ownership entity designated by the Montgomery County Government (MCG) to pay off the debt service incurred from constructing the parking garage and ancillary facilities. Such amounts available, and the extent to which the MGC will utilize such funds to pay towards any such debt obligation, will determine when this reallocation of revenue will cease to continue.
- However, the term of such debt obligation is reasonably assumed to be for a 30-year period. Thus, the fiscal impacts estimated for this legislation are assumed to begin midway through FY22-23 and cease midway through FY52-53.
- Construction of the new parking garage, construction of the entertainment district, and hotel renovation will be completed by December 31, 2022. This redistribution of state sales tax revenue is assumed to start on January 1, 2023 and end on December 31, 2052; therefore FY22-23 and FY52-53 will be half-year impacts.

- In FY22-23 and FY52-53, the foregone state revenue is estimated to be \$524,684 (50% x \$1,049,367).
- In FY22-23 and FY52-53, the increase in local revenue is estimated to be approximately \$524,684.
- In FY22-23 and FY52-53, the amount of local revenue that will shift from school purposes to debt repayment of the parking garage is estimated to be \$275,317 (50% x \$550,633).
- In each FY23-24 through FY51-52, the foregone state revenue is estimated to be \$1,049,367.
- In each FY23-24 through FY51-52, the increase in local revenue is estimated to be approximately \$1,049,367.
- In each FY23-24 through FY51-52, the amount of local revenue that will shift from school purposes to debt repayment of the parking garage is estimated to be \$550,633.

### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/mk